

BEFORE THE IDAHO BOARD OF TAX APPEALS

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| IN THE MATTER OF THE APPEAL OF RICHARD W. |) | APPEAL NO. 06-A-2466 |
| HOYLE from the decision of the Board of Equalization |) | FINAL DECISION |
| of Valley County for tax year 2006. |) | AND ORDER |

STATE LEASED LAND APPEAL

THIS MATTER came on for hearing November 28, 2006, in Cascade, Idaho, before Hearing Officer Steve Wallace. Board Members Lyle R. Cobbs and David E. Kinghorn participated in this decision. With pre-notice Appellant did not attend the hearing and submitted written materials for consideration. Assessor Karen Campbell, Chief Deputy Assessor Deedee Gossi and Appraiser Michael Johnson appeared for Respondent Valley County. This appeal is taken from a decision of the Valley County Board of Equalization denying the protest of the valuation for taxing purposes of property described as Parcel No. XR001910000130A.

The issue on appeal is the market value of a lakefront cabin site in fee simple ownership.

The decision of the Valley County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$1,358,420. Appellant requests the land value be reduced to \$665,000.

The subject property is a cabin or cottage site on the West side of Payette Lake. The site is leased from the State of Idaho (Payette Lake Cottage Sites) under a long-term lease with potentially renewal options. The lease is transferrable as noted in Appellant's appraisals discussed below. On the leased site are privately-owned improvements assessed in conjunction with a different, "LR" parcel number. The LR parcel assessment was not appealed in 2006. The effective lake frontage according to County records is 90.2 feet. The total land size is .818 acres.

In support of the requested reduction in land value, Appellant offered copies of two, 2005

fee appraisals. In the notice of appeal it was noted the two appraisals show much less value for land than the assessment reflects. The appraisals were “summary reports” completed for financing purposes. The first was dated June 6, 2005, the second June 14, 2005. One appraisal describes the subject property to be a leasehold improvement located on Payette Lake Cottage Sites Lot 13 State Lease#R-5059-9. Both appraisals specify the property rights appraised was a “leasehold”, as opposed to “fee simple.” All the comparable sales, which were the primary basis for the valuations, involved improvements (leaseholds) and State land leases like the subject. The leasehold interest in the subject site was valued in one estimate at \$630,000 and the other at \$700,000. The fee appraisers stated the market for the property they valued was appreciating rapidly and corresponding adjustments were made to older sales information.

Respondent began by noting its experience that State lease properties sell on average for 60% of the price paid for similar but fee simple property. The Assessor’s original analysis considered nine (9) fee simple sales, and apparently one XR-parcel sale, determining a base value of \$13,442 per front foot on Payette Lake land. From this base, adjustments were made for “amount of front feet” and the “overall size of the parcel.” The nine sales took place in 2003 and 2004. Information on two, more recent 2005 sales was also offered. This information was not available at the time the 2006 assessments were prepared. It was believed the more recent sales supported a market value of closer to \$19,000 per front foot on the January 1, 2006 assessment date. Subject’s assessed value is \$1,358,420, or \$15,060 per front foot.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in

support of their respective positions, hereby enters the following.

The land valuation under appeal forms the basis for a sewer district fee in lieu of property taxes. The market value estimate in this appeal must be for the subject land as if the cottage site was under private (fee simple) ownership. Idaho Code § 39-3635(3).

The pertinent definition of market value for assessment purposes is found in Idaho Code § 63-201(10). See also IDAPA 35.01.03.217.01 (Property Tax Administrative Rule 217.)

"Market value" means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Barron's Dictionary of Real Estate Terms, 5th ed., provides the following "absolute ownership of real property." The same source describes a leasehold as the "interest or estate on which a lessee (tenant) of real estate has a lease.

For the purposes here, it is not merely the taxpayer's leased interest that is assessed, but it is the full bundle of rights in the land, as if privately held, that must be valued. To value property for tax purposes at less than its fee simple value would improperly provide an exemption.

The lessee's interest in leased land and a leasehold improvement is necessarily different than a fee simple interest in land. The appraisals offered by Appellant were reasonably timely but did not address the proper appraisal unit. Both appraisals relied exclusively on leasehold improvement sales.

The County value evidence and analysis was geared toward a fee simple valuation of the subject land. Respondent's comparable sales were all private (non-leasehold) property. Appellant's main value evidence, the two independent fee appraisals, both considered the wrong

property or appraisal unit, that is an encumbered interest where more than one party holds the ownership to the land and associated improvements. Conceivably an appraisal adjustment might have been made to reflect the correct ownership interest, however one was not attempted. Under the circumstances, the better market value evidence is that offered by the Respondent Valley County. Therefore the Board will affirm the decision of the Valley County Board of Equalization.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Valley County Board of Equalization concerning the subject parcel be, and the same hereby is, affirmed.

DATED this 10th day of April, 2007.